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SUBJECT: ARMENIA NEWS HIGHLIGHTS

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(U) Sensitive but unclassified. Please protect accordingly.

11. This is the latest in our periodic series of cables highlighting news of U.S. policy interest.

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POLITICAL NEWS

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EX-PRESIDENT BLASTS GOAM IN QUASI-CAMPAIGN SPEECH:

13. (SBU) The Armenian National Movement's September 21 Independence Day reception became a de-facto campaign rally for former President Levon Ter-Petrossian (LTP), attended by PolChief. The event was packed, with the guest list a virtual who's who of Armenia's opposition. The Marriott general manager later told us that some 1,200 people tried to swarm into the event ballroom (capacity 700, and booked for 500 guests). The guests' boisterous chants of "Levon! Levon!" and the palpable buzz of anticipation in the room made this the most optimistic opposition gathering PolChief has ever witnessed in Armenia. The former president stopped just short of announcing his candidacy for president. His remarks were a scathing indictment of alleged criminality and corruption in government. Media outlets reported the event, but none broadcast the speech, and state-run H1 television punctuated its coverage of the event with file footage of economic privation in Armenia in the early/mid-1990s during LTP's government.

...AND REACHES OUT TO OLD ENEMIES

¶4. (U) Former President Ter-Petrosian called on two senior ARF (Dashnaktsutyun) leaders, Hrant Markarian and Armen Rustamian, at the Dashnak headquarters, in an apparent bid to make peace with the nationalist party. ARF and the ex-president (and by extension, LTP's Armenian National Movement) have been bitterly opposed since Ter-Petrosian outlawed the ARF while president, calling it a terrorist organization. Markarian and Rustamian were among dozens of party activists arrested and imprisoned in 1994 and 1995 on murder and coup charges, which were denied by the nationalist party as politically motivated. Meanwhile, the former president also called on another bitter, long-time rival, Vazgen Manukian, whom he defeated (under highly questionable conditions) for president in ¶1996. The systematic bid to mend fences and heal grudges with old adversaries is a canny early move in his bid to become the unified opposition candidate.

#### PM SARGSIAN TALKS IRAN IN MOSCOW

¶5. (U) On September 25, Prime Minister Serzh Sargsian spoke to the media about Armenia's relations with Iran and Turkey during his visit to Moscow. According to Sargsian, a U.S. attack on Iran would be the worst-case scenario for Armenia. "I am hopeful that the sides will settle the discord via talks. Iran is a very important state for us. It's our outlet to the world," he said. According to the PM, Armenia will strengthen relations with Iran. Russian RIA Novosti reported Sargsian saying "We will expand the building of the gas pipeline, since it raises Armenia's security in the region. As any country, we proceed from national interests. Our cooperation with Iran is justified."

#### PRO-OPPOSITION JOURNALIST ATTACKED

¶6. (U) On September 15 two unknown persons attacked Hovhannes Galajyan, editor-in-chief of the pro-opposition Iskakan Iravunk newspaper, who was hospitalized after the attack. According to Galajyan, he was beaten up in the stairwell of the building housing

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the newspaper moments after receiving a phone call from a man who identified himself as a correspondent for another Armenian paper. He said the two assailants said nothing as they kicked and hit him with metal bars. Galajyan told the press that he suspected Hrant Khachatrian - the leader of the small opposition party Union for Constitutional Rights, whom other senior party members including Galajyan had been challenging for the past year - was behind the attack. Khachatrian strongly denied involvement in the beating, claiming that it might have been orchestrated by his rivals. The prosecutor's office has launched an investigation, but there have been no arrests.

#### WEALTHY ARMENIAN MP ATTACKED IN MOSCOW HOTEL

¶7. (U) On September 26 in Moscow, Republican Party MP and wealthy businessman Tigran Arzakantsian - owner of one of Armenia's largest brandy companies - was assaulted. Two unknown men shot and stabbed Arzakantsian in the lobby of the Metropol Hotel. A Republican Party spokesman cited reports that the incident resulted from a gambling dispute. Arzakantsian underwent emergency surgery at a Moscow hospital, where he remains in stable but serious condition.

#### APPEALS COURT UPHOLDS VERDICT FOR ALLEGED COUP PLOTTERS

¶8. (U) On September 25 the Court of Appeals upheld prison sentences for Zhirayr Sefilian and Vardan Malkhasyan, leader of the marginal opposition Motherland and Honor party. Both had been arrested in December 2006 for allegedly plotting to overthrow the government. Malkhasian was convicted by a Yerevan court in July and was sentenced to two years in prison, while Sefilian was handed an 18-month term for illegal arms possession.

#### ARCHBISHOP OF CANTERBURY VISITS ARMENIA

¶9. (U) The Archbishop of Canterbury visited Armenia September 22-25 to strengthen ties with the Armenian (Apostolic) Church. The Archbishop, together with Armenian Catholicos Garegin II, spent most

of the time visiting churches and other religious institutions. They also attended the British Embassy's official Queen's Birthday reception -- delayed so that the Archbishop could be the featured guest -- which was held at Garegin's pontifical residence in Echmiadzin. The Archbishop also met with President Kocharian.

#### ECONOMIC NEWS

##### ARMENIA'S TRANSPARENCY INTERNATIONAL CORRUPTION SCORE STEADY

¶10. (U) The 2007 Corruption Perceptions Index released by Transparency International showed Armenia's ranking fell six places (from 93rd to 99th), while its raw score improved from 2.9 to 3.0 (within the margin of error) on the organization's ten-point scale. The group found that endemic government corruption in Armenia remains a major problem. According to a phone survey conducted by CRD in 2007, 62.9 percent of respondents believe that corruption has increased in the country despite the GOAM's stated anti-corruption commitments.

##### RUSSIAN TROIKA DIALOG ACQUIRES ARMENIAN BANK

¶11. (U) TDA Holdings Ltd, a subsidiary of the Russian Troika Dialog investment company, has acquired 96 percent stake in Armimpexbank, owned by British-Armenian investor Vatche Manukian. The cost of the deal was \$13 million. Ruben Vardanian, the ethnic Armenian president of the Moscow-based Troika Dialog, said the company plans to transform the bank into an investment bank that will offer a broad spectrum of services to its clients. He pledged to invest \$50 million in the bank by early next year.

##### ARMENIA EXPLORING NUCLEAR POWER OPTIONS WITH RUSSIA

¶12. (U) The Russian-Armenian Intergovernmental Commission for Economic Cooperation (chaired for Armenia by PM Sargsian) has tasked the Armenian side of its task force on nuclear cooperation to submit technical justification for investment in the construction of a new nuclear power unit in Armenia to be approved by November 2007. The sides were instructed to study possible financing schemes for the project, including governmental financial support. RA Minister of Energy Armen Movsisyan said the construction of a new power plant will cost \$2bln and would require 4-5 years.

##### ...AS THE EU UPS THE ANTE ON AID TO SHUT DOWN METZAMOR

¶13. (U) The European Union doubled, to 200 million Euros, its previous offer of financing to pay for the prompt shut-down of the Armenian Nuclear Power Plant at Metzamor. The EU proposal offered nothing in the way of help to secure replacement power generation capacity to make up for the electricity ANPP generates.

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##### ARMENTEL TELECOMMUNICATIONS MONOPOLIES EXPIRED OCTOBER 1

¶14. (U) The Public Services Regulatory Commission (PSRC) has ended all telecommunications monopolies of Armentel, once the country's monopoly telecommunications provider. Armentel has lost its monopoly on local, intercity and international telecommunications and telephone services, leasing of telephone lines, international transit and satellite services, public mobile communication, IP telephony and broadband video transmission services. Armentel Director General Oleg Blizniuk told journalists that the company yielded its monopolies voluntarily and welcomes healthy competition. But according to the agreement between "ArmenTel" and the GOAM, a new mobile telephony operator may appear in Armenia only beginning from January 1, 2009. At present, the market is shared by Armentel (owned by the Russian firm Vimpelcom) and two-year-old VivaCell (80 percent of which was recently purchased by the Russian firm MTS).

##### NEW EXECUTIVE DIRECTOR FOR ARMENIAN DEVELOPMENT AGENCY

¶15. (U) The Prime Minister appointed Tigran Davtian, Deputy Trade and Economic Development Minister, to the position of executive director of the Armenian Development Agency (ADA). His predecessor, Vahagn Movsisian, was appointed Ambassador to China. The ADA's

primary mission is to bring foreign investment to Armenia. There is hope that Davtian will enjoy more success than his predecessors, given his experience working with Armenian diaspora investors.

#### SYNOPSYS ARMENIA OPENS NEW RESEARCH AND EDUCATIONAL CENTER

¶16. (U) President Kocharian presided over the opening ceremony of a new center owned by Synopsys Armenia CJSC -- a subsidiary of Synopsys Company (US) -- a world leader in electronic design automation software. Synopsys President and CEO Chi-Foon Chan said that Armenia is among those nations that value intellectual capital. According to him, 500 engineers-designers and 120 students will work at the newly-opened research and educational center. The center is the company's largest production facility outside the US, and is the result of a USD 6.5 million investment. Synopsis executives told the CDA that they are satisfied with their Armenian operations, which they originally obtained by happenstance through earlier corporate acquisitions. They remarked, however, on the challenges of employing high-tech workers in a country that lacks a robust community of technology workers, universities, and related enterprises to provide both a talent pool and an idea-rich environment.

AND IN OTHER NEWS...

#### PACHYDERM POLITICS

¶17. (U) Sri Lanka's "Daily News" reported (on its front page, we understand) that the Sri Lankan cabinet has approved donation of an elephant to Armenia as a friendship gesture. No word yet on when Asokamala, a nine year old female from the Pinnawela Elephant Orphanage, will arrive in Yerevan to take up residence. Meanwhile, Armenia is to reciprocate by providing Sri Lanka with veterinary training and native Armenian fauna to be named later.

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